

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-06 TRSE-00 ACDA-12 PA-01 PRS-01
/127 W

-----119389 120312Z /72

R 111449Z JAN 78

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC 1752

INFO AMEMBASSY ABIDJAN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY LONDON

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LONDON FOR SEITZ

EO 11652: NA

TAGS: ENRG, GH

SUBJ: OIL AGREEMENT SIGNED, BUT NO DECISION YET TO PRODUCE OIL

REF: (A) ACCRA 242 (B) ACCRA 63

1. AGRIPETCO OFFICIALS INFORMED E/C COUNSELOR JAN 10 THAT AGRIPETCO SIGNED QTE WINNING UNQTE OIL AGREEMENT WITH GOG IN TELEVISED CEREMONY AT 4 PM. AGREEMENT, WHICH FOLLOWS ON AGRIPETCO'S PROSPECTING AGREEMENT, PROVIDES FOR TWELVE AND ONE HALF PERCENT OF OIL PRODUCED TO GO TO GHANA, WHICH MAY ALSO PURCHASE UP TO AN ADDITIONAL THIRTY-SEVEN AND ONE HALF PERCENT IN US DOLLARS, PAYABLE WITHIN THIRTY DAYS OF DELIVERY.

2. GOG ASKED AGRIPETCO TO SIGN AGREEMENT DESPITE FACT THAT AGRIPETCO HAS NOT YET REACHED A DECISION WHETHER OR NOT TO EXPLOIT

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THE OIL FIELD. AGRIPETCO OFFICIALS DID TELL THE GOG THAT THE THREE WELLS DRILLE(WOULD PRODUCE A MINIMUM OF 1,000 BARRELS PER DAY EACH OF THIRTY-SIX TO THIRTY-NINE API GRAVITY CRUDE OIL WITH NO SULPHUR. THIS IS HIGH QUALITY CRUDE COMPARABLE TO NIGERIA'S BONNY LIGHT. GHANA IMPORTS ABOUT 25,000 BARRELS PER DAY, PRINCIPALLY FROM NIGERIA.

3. TO REACH DECISION ON EXPLOITING OIL FIELD, AGRIPETCO PLANS TO DRILL FOURTH TEST WELL TO PROVE OUT OFFSHORE DEPOSIT, ORIGINALLY DISCOVERED BY SIGNAL OIL COMPANY IN 1970 (REFTEL B). AGRIPETCO HAS COMPLETED THIRD WELL, BUT FOUND GAS IN SANDS AT UPPER STRATA LEVELS WHICH HAD SHOWED OIL IN FIRST TWO WELLS, RAISING CONCERN THAT UPPER LEVELS OF DOMED STRUCTURE MIGHT PROVE TO CONTAIN GAS, NOT OIL, THEREBY CONSIDERABLY REDUCING TOTAL RESERVES. A FOURTH WELL IS TO BE DRILLED INTO TOP OF STRUCTURE TO CHECK ON THIS POSSIBILITY. IT WILL TAKE ABOUT THREE MONTHS TO DRILL WELL, ANALYSE RESULTS, AND TAKE DECISION WHETHER OR NOT TO EXPLOIT DEPOSIT. ACTUAL PRODUCTION WOULD FOLLOW ANY FAVORABLE DECISION BY 12 TO 18 MONTHS.

4. COMMENT: GOG DECISION IS THUS CLEARLY BASED ON POLITICAL CONCERNS. THE TIMING IS DICTATED BY JANUARY 13 ANNIVERSARY OF HEAD OF STATE ACHEAMPONG'S COMING TO POWER, AND FORTH-COMING END-MARCH REFERENDUM ON UNION GOVERNMENT. THE ANNOUNCEMENT, DESPITE FACT THAT U.S. COMPANY MAY YET DECIDE NOT TO EXPLOIT, WILL HAVE DRAMATIC POLITICAL IMPACT, INCREASING PROBABILITY THAT REFERENDUM WILL RESULT IN VOTE FAVORABLE TO UNION GOVERNMENT.

5. ANOTHER U.S. FIRM, PHILLIPS PETROLEUM, HAS A DEEP-WATER OFF-SHORE CONCESSION OFF GHANA'S WESTERN BOUNDARY NEXT TO IVORY COAST WATERS. WE UNDERSTAND THAT PHILLIPS IS NEGOTIATING FOR EXPLORATION RIGHTS IN-SHORE AND ON-SHORE IN BLOCKS ADJACENT TO IVORY COAST. SMITH
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